



Billing Code 3510-11

## DEPARTMENT OF COMMERCE

International Trade Administration

Executive-led Trade Mission to South Africa and Zambia

**AGENCY:** International Trade Administration, Department of Commerce

**ACTION:** Notice

### MISSION DESCRIPTION

The United States Department of Commerce, International Trade Administration, U.S.

Commercial Service is organizing a Trade Mission to South Africa and Zambia November 26 – November 30, 2012, to help U.S. firms find business partners and sell equipment and services in Johannesburg and Cape Town, South Africa, and Lusaka, Zambia.

Targeted sectors are:

- Electric Power and Energy Efficiency Technologies, Equipment and Services
  - electrical generating equipment
  - renewable energy technologies
  - clean coal technology
  - transmission and distribution equipment and services
  - energy efficiency building technologies and services
- Productivity Enhancing Agricultural Technologies and Equipment
  - crop production equipment and machinery
  - irrigation equipment and technology
  - crop storage and handling

- precision farming technologies
- Transportation Equipment and Infrastructure
  - new and refurbished locomotives
  - new bulk car and other dedicated rolling fleets
  - smart Signaling and operations' automation
  - business model analysis
  - strategic route design and network planning
  - port Infrastructure
- Mining Equipment and Technology
  - software
  - process automation
  - mining beneficiation
  - geo-information technologies
  - bulk materials handling technology

Although focused on the sectors above, the mission also will consider participation from companies in other appropriate sectors as space permits.

This mission will be led by a senior Department of Commerce official and will include business-to-business matchmaking with local companies, market briefings, and meetings with key government officials.

## **Commercial Setting**

**South Africa** is a country of 50 million people that is rich in diverse cultures, people and natural heritage. Enjoying remarkable macroeconomic stability and a largely pro-business environment, South Africa is a logical and attractive choice for U.S. companies to enter Sub-Saharan Africa.

South Africa is the most advanced, broad-based industry and productive economy in Africa and in 2011 had a gross domestic product (GDP) of \$422 billion, growing by 3.1 percent. In 2010 South Africa accounted for 31 percent of Sub-Saharan Africa's GDP.

South Africa in April 2011 joined Brazil, Russia, India and China as the only African country in the leading emerging market group, BRICS. This step was seen as significant endorsement by its peers of the country's macro-economic development since the establishment of democracy in 1994.

**Zambia** is a politically stable, multi-party democracy, rich in natural resources. Zambia has a population of approximately 13 million with a growing middle class, particularly in urban areas. Its relatively open economy has averaged more than six percent real GDP growth over the past eight years and was ranked one of the fastest growing economies in the world in a recent report by The Economist magazine.

In 2011, total U.S.-Zambia trade was \$177 million, an 83 percent increase over 2010 levels and a more than 200 percent increase over 2009 levels. While relatively small in total, U.S.-Zambia trade has tremendous growth potential, and the Zambian government and private sector are keen to strengthen the commercial relationship between the United States and Zambia. Leading U.S.

exports include machinery, transportation equipment, chemicals, and computers and electronic products.

## **Best Prospects in Mission targeted sectors**

### **Energy:**

#### **South Africa**

Electricity supply constraints are expected to remain a feature of South Africa's social and economic landscape for several years to come, and the introduction of additional capacity will be required for at least the next 20 years.

#### Energy efficiency building technologies and products

South Africa presents potentially lucrative opportunities for U.S. firms involved in Green Building Technologies (GBT). By developed-economy standards, South Africa continues to lag far behind in its adoption of green building practices. However, the notion of green building is gathering momentum in South Africa with an array of projects currently in the pipeline.

Although no formal statistics are currently recorded for green building products in South Africa, the current building and construction materials market is estimated at about \$11.88 billion per annum, with 60 percent sold direct to end-users and 40 percent via the distribution/merchant network. Of this total of \$11.88 billion, \$2.12 billion (18 percent) of materials would be used in the additions, alterations and home improvement market (including unrecorded home improvement).

South Africa's State-owned Industrial Development Corporation (IDC) plans to inject \$1.68 billion into 'green' industries over the next five years as part of a larger \$14 billion disbursement plan between 2010 and 2015. The IDC indicated that the "green economy" has emerged as a primary focus for the development finance institution (DFI), owing to its potential to create jobs and lower the carbon intensity of the South African economy.

### **Zambia:**

More than 45 percent of Sub-Saharan Africa's water resources pass through Zambia, creating significant untapped hydropower potential to meet domestic demand and for export to Eastern and Southern African countries. Zambia is connected to the Southern African Power Pool and has plans to connect to the East African Power Pool. Domestic demand often exceeds domestic production due to maintenance and upgrades at major hydropower facilities and brown outs are relatively common. In the past two years, ZESCO has raised electricity rates substantially to meet long-term cost recovery, although a planned further 20 percent increase in rates in early 2012 was shelved due to public opposition.

Specific opportunities for mission members include hydro generation, other renewable technologies, construction and engineering services in generation and transmission, and smart grid technologies. There is also a market for small-scale power generating equipment, such as micro-hydro power systems, mobile generation units, solar panels and diesel-powered generators for household or commercial use.

### **Agricultural equipment:**

**South Africa** has by far the most modern, productive and diverse agricultural economy in Sub-Saharan Africa. It is a net exporter of agricultural and food products and is self sufficient in food products. South Africa offers U. S. exporters of agricultural equipment and technology a wide range of opportunities. The country's annual agricultural equipment market is estimated at approximately \$919 million. Five percent of all new agriculture equipment is being produced locally; ninety five percent of all agriculture equipment and parts are being sourced from international markets, and at least twenty percent of new equipment and technologies are currently being sourced from the United States.

**Zambia** has favorable climatic conditions, vast irrigation potential, good prospects for livestock production, and has one of the highest percentages of uncultivated arable land in Africa. Zambia exported approximately \$500 million in agricultural products in 2010, and agriculture accounts for more than 20 percent of Zambia's GDP. The sector provides employment for about 60 percent of the population, the majority being small-scale or subsistence farmers, with about 750 large scale commercial farms and more than 1,000 emergent farms (up to 150 acres).

### **Transportation equipment and infrastructure**

**South Africa's** government has announced and allocated initial funding for significant transportation infrastructure capital investments:

The Passenger Rail Agency of South Africa (Prasa) of the South African Department of Transport (SADOT) has announced a large rail improvement program. The 20-year procurement process will be split into two, with the first ten-year contract running from 2015 and the second

from 2025. The formal tender process started in March 2012 and financial closure with the successful bidder is expected in June 2013. The first train is to be delivered in 2015.

The South African Government will spend R21.3bn on infrastructure in the port of Durban over seven years, but this excludes more than R100bn that could be required to dig out the old Durban International Airport site and expand the harbor further. The sum of R21.3bn — a figure that may change as projects are reviewed or added over the next seven years — is part of the R300bn of transport and logistics projects that South African President Jacob Zuma mentioned in his state of the nation address in February 2012.

**Zambia** is landlocked and sparsely populated. As such, transportation is a substantial cost to doing business in the country. Goods move primarily by road and rail. Most copper, Zambia's primary export, is moved by truck. The Government has budgeted a record \$890 million to road development and maintenance in 2012.

The government has at various times signaled its intention to expand Zambia's main international airports, and the United States Trade and Development Agency (USTDA) funded an airports master plan that was completed in 2011 for international airports in Lusaka, Livingstone, Ndola, and Mfuwe.

## **Mining Equipment and Technology**

**South Africa** 2,200 miles of railway line, three new ports and a large amount of bulk handling infrastructure at other ports are high on the agenda for both the South African Government and mining consortia.

**Zambia** is the largest copper producer in Africa and the eighth largest producer in the world. Zambia has more than 6 percent of known copper reserves, with about 42 percent of the country still unexplored for minerals. The sector has seen more than \$5 billion in investment in the sector since the mines were privatized starting in 1998 and annual copper production is expected to top 1 million tons by 2015. The mining sector accounts for 6 percent of Zambia's GDP, and copper exports generate about 75 percent of export earnings. The sector continues to be the second largest formal employer, after government.

All mining companies are required by law to upgrade their mining equipment, particularly smelters, to conform Zambia's mining sector to international regulations and United Kingdom and U.S. environmental standards by 2015.

Zambia also has cobalt, gold, uranium, nickel, manganese, coal, and gemstones, and produces 20 percent of the world's emeralds.

## **MISSION GOALS**

The goal of the South Africa-Zambia Trade Mission is to provide U.S. participants with first-hand market information, and one-on-one meetings with business contacts, including potential agents, distributors and partners so they can position themselves to enter or expand their presence in the South African and Zambian markets.



## Mission Scenario

The South Africa-Zambia Mission will visit Johannesburg, Cape Town and Lusaka, with an optional visit to Ndola in Zambia's Copper Belt, allowing participants to access the largest markets and business centers in the two countries. In each city, participants will meet with potential business contacts.

## Proposed Mission Timetable

Day of Week	Date	Activity
Sunday	Nov 25	Arrive in Lusaka
Monday	Nov. 26 Lusaka	<b>Mission Meetings Officially Start</b> Breakfast briefing with U.S. Embassy Staff One-on-one business appointments Evening business reception

Tuesday	Nov 27  Lusaka  Optional flight to Ndola (Copper Belt)   Travel to Johannesburg	In Lusaka one-on-one business appointments continue and for those companies with mining, transport and other meetings in the northern copper belt, morning flight to Ndola for meetings. Evening flights (Lusaka and Ndola) to Johannesburg.
Wednesday	Nov. 28  Johannesburg	Briefing by U.S. Embassy Staff  One-on-one business meetings  Evening business reception
Thursday	Nov. 29  Johannesburg and Travel to Cape Town	One-on-one meeting continue in Johannesburg   Briefing by Cape Town Consulate Staff  Networking reception in Cape Town
Friday	Nov 30  Cape Town	One-on-one business appointments continue  <b>Mission ends.</b>

**\*Note:** The final schedule and potential site visits will depend on the availability of local government and business officials, specific goals of mission participants, and air travel schedules.

## **PARTICIPATION REQUIREMENTS**

All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. The mission is designed for a minimum of 15 and a maximum of 20 to participate in the mission from the applicant pool. U.S. companies already doing business in the target markets as well as U.S. companies seeking to enter these markets for the first time are encouraged to apply.

### **Fees and Expenses**

After a company has been selected to participate on the mission, a participation fee to the U.S. Department of Commerce is required. The participation fee for one representative is \$4350 for a small or medium-sized enterprise (SME)<sup>1</sup> and \$4900 for large firms. The fee for each additional firm representative (SME or large) is \$450. Expenses for travel, lodging, some meals, and incidentals will be the responsibility of each mission participant.

### **Conditions for Participation**

- An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's products and/or services, primary market objectives, and goals for participation. If the U.S. Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

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<sup>1</sup> An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations. See <http://www.sba.gov/contractingopportunities/owners/basics/whatismallbusiness/index.html>. Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008. See <http://www.export.gov/newsletter/march2008/initiatives.html>.

- Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least 51 percent U.S. content of the value of the finished product or service.

### **Selection Criteria for Participation**

- Suitability of the company's products or services to the mission goals.
- Applicant's potential for business in South Africa and Zambia, including likelihood of exports resulting from the mission.
- Consistency of the applicant's goals and objectives with the stated scope of the mission.

Diversity of company size, sector or subsector, and location may also be considered during the review process.

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

### **TIMEFRAM FOR RECRUITMENT AND APPLICATIONS**

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the Commerce Department trade mission calendar –

[www.ita.doc.gov/doctm/tmcal.html](http://www.ita.doc.gov/doctm/tmcal.html) – and other Internet web sites, press releases to general and

trade media, direct mail, broadcast fax, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows.

Recruitment for the mission will begin immediately, and conclude October 5, 2012. The U.S. Department of Commerce will review applications and make selection decisions on a rolling basis beginning August 6, 2012, until the maximum of 20 participants is selected. Applications received after October 5, 2012, will be considered only if space and scheduling constraints permit.

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